

UTAH REVISED NONPROFIT CORPORATION ACT

2016 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Kay L. McIff

Senate Sponsor: _____

LONG TITLE

General Description:

This bill modifies the Utah Revised Nonprofit Corporation Act to allow for the transfer of water shares in a mutual benefit corporation and clarifies the property rights of a member of a nonprofit corporation.

Highlighted Provisions:

This bill:

- ▶ authorizes a member of a mutual benefit corporation to transfer membership or the rights of membership under certain circumstances;
- ▶ states that a member of, or shareholder in, a mutual benefit corporation:
 - has an undivided interest in real property, proportional to the member or shareholder's shares, in the water and facilities of the mutual benefit corporation; and
 - is a person entitled to the use of water under Title 73, Water and Irrigation, including the right to change the use of water; and
- ▶ makes technical changes.

Money Appropriated in this Bill:

None

Other Special Clauses:

None

Utah Code Sections Affected:



28 AMENDS:

29 [16-6a-606](#), as enacted by Laws of Utah 2000, Chapter 300

30 [16-6a-611](#), as last amended by Laws of Utah 2015, Chapter 240



32 *Be it enacted by the Legislature of the state of Utah:*

33 Section 1. Section **16-6a-606** is amended to read:

34 **16-6a-606. Transfers.**

35 ~~[(1) Unless]~~ (1) (a) Except as provided in Subsection (2), or unless otherwise provided
36 by the articles of incorporation or the bylaws, a member of a nonprofit corporation may not
37 transfer:

38 ~~[(a)]~~ (i) a membership; or

39 ~~[(b)]~~ (ii) any right arising from a membership.

40 ~~[(2)]~~ (b) Where transfer rights have been provided, a restriction on transfer rights may
41 not be binding with respect to a member holding a membership issued prior to the adoption of
42 the restriction, unless the restriction is approved by the affected member.

43 (2) The restriction on transfer described in Subsection (1) does not apply to the transfer
44 of shares of stock in a nonprofit corporation that is also a mutual benefit corporation, as
45 defined in Section [16-6a-102](#).

46 Section 2. Section **16-6a-611** is amended to read:

47 **16-6a-611. Property rights.**

48 ~~[A member]~~ (1) Except as provided in Subsection (2), or unless otherwise provided by
49 the articles of incorporation or the bylaws, a member of a nonprofit corporation does not have
50 any vested property right in the nonprofit corporation, including any right relating to
51 management, control, purpose, or duration of the nonprofit corporation~~[-except as provided~~
52 ~~by:]~~.

53 ~~[(1) the bylaws of a mutual benefit corporation; or]~~

54 ~~[(2) other applicable law.]~~

55 (2) A member or shareholder in a nonprofit corporation that is also a mutual benefit
56 corporation, as defined in Section [16-6a-102](#):

57 (a) has an undivided interest in real property, proportional to the member or
58 shareholder's shares, in the water rights and facilities of the mutual benefit corporation; and

59 (b) is a person entitled to the use of water under Title 73, Water and Irrigation,
60 including the right to change the use of water represented by the member or shareholder's
61 shares, as provided in Section [73-3-3](#) and subject to the requirements of Section [73-3-3.5](#).

Legislative Review Note
Office of Legislative Research and General Counsel